



# Public-Private Partnerships in Infrastructure Development in Africa

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# PPP's

- **Contract between private sector entity and public sector (Government) in the provision of certain services**
- **Private sector entity is to deliver the service and assume associated risks**
- **This can be in the form of:**
  - BOT
  - BOOT
  - Concessions
  - Management Contracts
  - Maintenance Contracts
  - Etc



# What are the benefits

- Improved efficiency in service delivery
- Reduction of financing burden on governments
- Promotion of local and foreign investment
- Improved Productivity
- Contribution to Government Tax Revenue
- Increased economic growth



# What is the Experience in Africa

- Examples of PPP in Africa include:
  - Telecoms Sector: Mobile Telephony – South Africa, Tanzania, Mauritius, Cameroon, Morocco.
  - Power Sector:- Egypt, Uganda, Tanzania, Kenya, Guinea, Tunisia, Morocco
  - Transport:- South Africa, Toll Road, Johannesburg, Maputo, Algeria
  - Ports and Airports: - Cote d' Ivoire, Zambia, Mauritania, Senegal
  - Water Sector:- South Africa, Guinea, Egypt, Cote d' Ivoire
- There is scope for more private investments in Africa's infrastructure - Estimated investment requirement of USD10 billion/year



## Challenges to PPP's in Africa Macro-Level Challenges

- Perception of investment climate
  - Political and economic instability
  - Lack of commitment to private sector participation
  - Robust legal and regulatory framework
- Partially liberalised, poorly regulated sectoral markets
- Availability of instruments and structures to mitigate risk
- Development of local capital markets
- Capacity
  - Availability of technical and management skills
  - Capacity of Public sector to structure deals



## Challenges to PPP's in Africa

### Project Level Challenges

- High cost and risk of project development
  - Ability and willingness to pay
  - Weak and/or unclear sectoral environments
  - Appropriate allocation of risk
  - Complex interdependencies and multiple stakeholders
- Shortage of risk capital for early stage development work.
- Capacity and institutional weaknesses of the public sector when acting as project sponsor



## Making PPP's Work in Africa

- Ensure that ultimate objectives of the project are shared
- Ensure that the project is adequately prepared
  - Technical Feasibility
  - Financial and Economic Viability
  - Environmental Sustainability
  - Understand and Characterise the markets
- Understand and apportion risks properly. Develop a robust risk sharing system for the project.
- Associate risks with parties most capable of managing them
- Incorporate Local Capacity Building and Technology Transfer in Project
- Don't go for quick returns, develop a long term outlook
- Involve all stakeholders early in the project cycle
- Focus on project outputs and identify potential deal breakers early in the project cycle.



## Role of the African Development Bank

- Enabling Environment: Support to Government to through policy reform measures
- Reduce Risks for PPP's: Support for Transaction Advisory services and other activities to remove or reduce constraints for PPP's
- Participate in the process leading to participation of private sector enterprises.
- Strengthening of Local Financing Institutions
- Provision of commercial resources to private sector enterprises



## Key Instruments and Frameworks within ADB in support of PPP's

- NEPAD-IPPF Special Fund
- EPSA
- ADB Loans – to Public Sector
  - Sovereign and Non-Sovereign Guarantee Loans
- ADB Loans – to Private Sector
- Risk management Products
  - Interest Rate Swaps
  - Currency Swaps
- Guarantees
  - Partial Credit Guarantees
  - Partial Risk Guarantees
- Country Governance Profiles
- Economic Outlook Reports



Scaling-up Infrastructure Development in Africa  
requires a new paradigm that contains a coherent  
package of innovative approaches and solutions for  
**ALL STAKEHOLDERS**



**Strategic Framework for Infrastructure Development**



**Thank you for your attention**